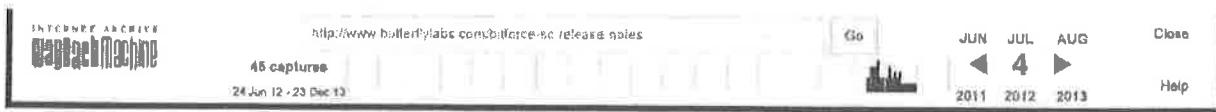


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## BitForce SC – Release notes

The BitForce SC product line is the giant final step in the progression of SHA256 verification technology. The implications for our customers are significant and with this comes a measure of responsibility that we've worked hard to respectfully fold into our plans.

Along with encouragement, there has been quite a lot of worry about these implications. We hope clarifying our position and what you can expect from BF Labs Inc. on these points may be helpful to our customers as they decide how to proceed with their SHA256 efforts.

### What's your trade in policy?

In recognition of the burden such an increase in hashing power puts on owners of our equipment, we've instituted a policy designed to preserve the value of your investment through this technology change. Our objective is to make sure you can recover your investment whether you wish to continue mining or not.

To achieve this goal, we will accept earlier generation units in trade at full purchase price towards the purchase of their new ASIC based counterparts:

**What's a typical trade in example?** A customer can trade in his 832 MH/s Single and get \$599 credit towards the purchase of a \$1,299 SC Single. The end cost to upgrade to 40 GH/s would be \$699.

**Do I have to ship my trade in when I order the SC version?** You may keep your current single (or Mini Rig) up to the date your SC based product is ready. We'll notify you at that time and wait for your trade in to arrive before releasing your unit.

**Can I trade in two old generation singles for one SC version?** No. You can only use trade in credit to pay for up to 50% of the cost of the new gear. (otherwise, we'd go out of business pretty quickly)

**I don't want to mine anymore, what do I do with my Singles?** The value of an old Single on the secondary market should continue to hover close to its \$599 purchase price minus shipping and any convenience costs of exchange with whoever wants to buy it in preparation to purchase an SC based product. When we receive it towards the purchase of an SC, it will be accepted at its full \$599 value. This ensures that you can get out of your investment with no losses.

**How are Mini Rigs traded in?** Mini Rigs are traded in the same way as Singles. Up to 50% of the purchase price of new SC gear can be paid for with trade in credit from an older generation Mini Rig or many older generation Singles.

**How long will you continue to accept trade ins?** Our trade in offer expires March 1, 2013.

**Can I trade in my Singles even though I didn't buy them from you?** Yes, we will honor trade in units whether you purchased them directly from us or from a third party.

**Will you limit supply to would be 51% attackers?**

We absolutely will not knowingly sell hardware to a client if we feel they pose a threat to any network.

**Why are you selling so much performance for so little?**

We feel cheap & powerful hashing gear is more valuable to our customers and the growth of the network. For example, our USB coffee warmer product (the 'Jalapeno') was designed for maximum gift-ability in time for the holiday season. It might find a role as a fun starter kit for would be network participants while at the same time increasing network de-centralization. In sum, cheaper & easier is better and we'll continue to push this envelope as company policy.

#### **What will happen to my investment if ASIC competition arrives?**

It's our belief that ASIC level competition is inevitable. In expectation of this, we've kept our prices low and we'll maintain them at stable rates.

There's no such thing as a monopoly in a free market. If you're greedy, someone can come along and fix the situation. With this in mind, our products are priced very well relative to the investments involved and this leaves little room for profit motivated competitors. This may very well induce a welcome phase of price stability for SHA256 operators. In the end, we believe success all comes down to aggressive investment in product improvement and a generous attitude towards supporting the customers we serve. Price stability is a part of the equation.

However, in the event of a price war, it's fair to say that the capability of the product may exceed the figures published and our price / performance advantage will adjust as needed to remain the top choice. With the financial backing we have, we're able to continue development and prepare for the future mission to support SHA256, no matter how the market turns. Please know that in doing this, we pledge to continue to respect the value of the investment our customers have made.

In the end, competition ultimately benefits overall network security so everyone wins.

#### **Why don't you guys mine?**

This is a popular question. The answer is pretty simple. Hardware is the focus of our passion. We're hardware designers.

#### **So will the BitForce SC product line REALLY come out in October?**

This is a fair question. Let's review our track record. If you're not aware, our initial product, the BitForce Single had a slow delivery cycle. This was initially due to a last minute design change before initial product release. When we did release it, we weren't quite prepared for the explosive success we had. After several rounds of scaling, single delivery is in sufficient volume to catch up quickly.

The Mini Rig product release has followed it's development and release timeline pretty well. Initial deliveries aren't far from estimates and the speed of production is on pace to ensure most customers will get their Mini Rigs ahead of schedule.

The SC product line has been under development for quite some time and is not the result of an expedited development process. Although there are always issues during development, our team is highly experienced in exactly this field and we're currently ahead of our original timeline. Honest Abe, we're scheduling shipments for October of 2012.

#### **Will it REALLY be as fast as you say?**

YES. It's really that fast.

Let's review our track record once again. Our most recent release was the Mini Rig. It's performance exceeded spec by more than 1 GH/s in speed while consuming 100W less in power draw.

Promised: 25.2 GH/s 1,250W

Delivered: 26.4 GH/s 1,141W

Our one blemish in spec estimate was with our original product. The Single was announced at 1.05 GH/s @ 20W. However, we released it at 832 MH/s @ 80W. This was part of our introductory learning curve specific to this network hash application which is really quite extraordinary and unlike simple processor cryptography which is our background. In the end, we missed our speed spec by 20% and power by a factor of 4. In fairness, we offered refunds and lowered our prices from \$699 to \$599 to compensate. The product was a hit and remains our best seller to date.

In short, we have the experience and have shipped the most product in the industry. You can count on the SC. It's real and it's coming to a network near you.